

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

L-02 H-02 DODE-00 PA-01 USIA-06 PRS-01 /086 W

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R 171712Z APR 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 691

INFO AMCONSUL FLORENCE VIA POUCH

AMCONSUL GENOA VIA POUCH

AMCONSUL MILAN

AMCONSUL PALERMO VIA POUCH

AMCONSUL NAPLES

AMCONSUL TRIESTE VIA POUCH

AMCONSUL TURIN VIA POUCH

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E.O. 11652: N/A

TAGS: EIND, IT

SUBJECT: MONTEDISON REVELATIONS

1. SUMMARY: BUDGET MINISTER ANDRREOTTI REVEALED SECRET ROLE
PLAYED BY STATE HYDROCARBONS AUTHORITY ENI IN PURCHASE OF
ITALIAN CHEMICAL COMPANY MONTEDISON STOCK. ANDREOTTI'S ANNOUNCE-
MENT CLARIFIES SOMEWHAT SITUATION WHICH HAD LED TO RESIGNATION
(LATER RE-CONSIDERED) OF MONTEDISON PRESIDENT EUGENIO CEFIS.
END SUMMARY.

2. IN LONG APRIL 15 SENATE SPEECH, BUDGET MINISTER GIULIO
ANDREOTTI (DC) REVEALED THAT ENI, USING SUBSIDIARIES AND FOREIGN
HOLDING COMPANIES, HAS SECRETLY --AND PROBABLY ILLEGALLY--
PURCHASED 2 PERCENT OF MONTEDISON'S SHARES AND GUARANTEED
PURCHASE OF ADDITIONAL 4 PERCENT. THE ACTION HAD BEEN
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"APPROVED" BY GOI, ACCORDING TO ANDREOTTI. THE SECRECY STEMS

FROM (A) GOI/ENI CONCERNS THAT PUBLIC INTEREST INSUFFICIENTLY
REPRESENTED IN MONTEDISON MAKING HARMONIZATION AND COORDINATION
DIFFICULT WITHIN ITALIAN CHEMICAL INDUSTRY AND (B) NEED TO
CIRCUMVENT PROHIBITION ON FURTHER ENI PURCHASES OF MONTEDISON
SHARES CONTAINED IN AGREEMENT ESTABLISHING FIRST MONTEDISON
"CONTROL SYNDICATE" ON BASIS OF STRICT EQUALITY BETWEEN PUBLIC
SECTOR (ENI, AND GOI INDUSTRIAL SECTOR HOLDING COMPANY IRI)
AND PRIVATE INTERESTS (BASTOGI, PESENTI GROUP, MONTI, PIRELLI
AND OTHERS).

3. ORIGINAL "PRIVATE" MEMBERS INCLUDED FIDUCIARY COMPANIES
EURAMERICA AND SWISS-BASED NICOFICO. THE TRUE SHAREHOLDERS
WERE NOT KNOWN, AND THIS PRECIPITATED THE MARCH, 1975 MANAGE-
MENT CRISIS AT MONTEDISON. PRESIDENT CEFIS RESIGNED, BUT WAS
PERSUADED TO REASSUME THE PRESIDENCY AFTER OBTAINING PROMISES
THAT FIDUCIARY COMPANIES WOULD NO LONGER BE PERMITTED ON
CONTROL SYNDICATE. NEW CONTROL SYNDICATE CONSTITUTED AS FOLLOWS:

GROUP SHAREHOLDINGS (IN MILLIONS)
(OLD HOLDING IN PARENTHESIS)

PUBLIC

ENI	108.7	(108.2)
IRI	31.5	(31.5)
	TOTAL	140.2 (139.7)

PRIVATE

BASTOGI

(HOLDING COMPANY)	58.9	(49.1)
PESENTI GROUP		
HOLDING, CEMENT-BASED)	12.2	(12.0)
MONTI GROUP		
(HOLDING, OIL-BASED)	15.0	(15.0)
PIRELLI		
(HOLDING, RUBBER-BASED)	2.6	(2.6)
MEDIOBANCA/IMI/ICIPU		
(GOI-FINANCIAL INSTITUTIONS)	46.5	0)

FONDIARIE GROUP

(INSURANCE)	1.3	(1.3)
NICOFICO	0	(12.1)
EURAMERICA	0	(43.9)
	TOTAL	136.3 (136.0)

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4. COMMENT: THE ANDREOTTI SPEECH IS ONLY THE LATEST
DEVELOPMENT IN A LONG, COMPLEX SERIES OF EVENTS INVOLVING
MONTEDISON, VARIOUS STATE PARTICIPATION COMPANIES, THE
GOVERNMENT AND THE POLITICAL PARTIES. THE ANDREOTTI SPEECH,
SOME 18 PAGES, IS A SELDOM-AFFORDED GLIMPSE OF THE MANEUVERING
AMONG ITALY'S ELITE POLITICAL AND ECONOMIC MANAGERS. PRE-
DICTABLE, THE SPEECH HAS RAISED MORE QUESTIONS THAN WERE

ANSWERED. THESE WILL BE ADDRESSED DURING THE CONTINUING DEBATE ON THE PROPRIETY OF THE ENI (AND GOI) ACTIONS.

5. COMMENT: LARGER ISSUES RAISED INCLUDE (A) PROPER RELATION OF STATE-PARTICIPATION ENTERPRISES TO PRIVATE ONES, (B) ROLE OF POLITICAL PARTIES, AND (C) GOI ROLE IN CHEMICAL INDUSTRY. RE (C), ANDREOTTI ANNOUNCED CREATION OF A NEW COMMITTEE TO HARMONIZE INVESTMENT IN ITALIAN CHEMICAL INDUSTRY. SIGNIFICANCE ANDREOTTI REMARKS UNCLEAR EVEN TO INFORMED OBSERVERS BUT CURRENT THEORIES SUGGEST MAJOR IMPORT WILL BE RE-CYCLING OF PERSONALITIES AND MANAGERS RATHER THAN SUBSTANTIVE CHANGE IN DIRECTION OF GOI CHEMICAL POLICIES .BEAUDRY

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT PROCUREMENT, SPEECHES, PUBLIC UTILITIES, STOCKS (SECURITIES)
Control Number: n/a
Copy: SINGLE
Draft Date: 17 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME05753
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750135-0939
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750441/aaaabmmmb.tel
Line Count: 127
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2003 by BoyleJA>; APPROVED <15 OCT 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MONTEDISON REVELATIONS
TAGS: EIND, IT, MONTEDISON, (ANDIEOTTI, GIULIO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006